

**An Update of the Ongoing**  
*Evaluation of the Effectiveness and Efficiency of State Trust Fund Investment*  
*October 19, 2004*

On October 6, the Independent Review Committee (IRC) met for the first time. Appointed in September 2004 by Public Lands Commissioner Sutherland, they have been asked to evaluate the effectiveness and efficiency of trust fund investments on the nearly three million acres of trust property managed by the Department of Natural Resources (DNR). Members of the committee were chosen for their expertise and experience regarding governmental or private sector financing and organizational management. The trust beneficiaries have also provided important questions and comments to the IRC and DNR.

During the first committee meeting, they reviewed background information regarding the nature of the trusts, a characterization of the trust assets and data regarding expenditures and benefits. During the meeting, the IRC and beneficiaries posed a series of questions and issues for the DNR.

Some of the committee's discussion and information presented to them to date have focused on the expenditure reductions DNR has made since 2001, including reduction of employment by over two hundred as well as other increased agency efficiencies. They are also considering macro-economic forces that have reduced revenue and created an unfavorable future revenue picture. At risk are significant economic and ecological benefits from the active management of the trust assets.

### **What is Next**

The IRC has heard from the trust beneficiaries. DNR has heard from the IRC. DNR has attempted to respond to both. The answers are contained in the Briefing Material for the Independent Review Committee, Volume 2 which you will find at the link to DNR's website, at [http://www.dnr.wa.gov/htdocs/agency/independent\\_review/](http://www.dnr.wa.gov/htdocs/agency/independent_review/).

Volume 2 and the previously submitted materials were designed to answer a central question:

"Are there changes that would result in improved revenues or cost savings sufficient to fund current management and the implementation of the Board of Natural Resources' directions?"

To help answer this question the Independent Review Committee will need to evaluate revenues and expenditures.

Revenues: Are there additional actions that could be taken to further expand net revenues?

Expenditures: Are there significant changes that should be made to reduce expenditures while maintaining legal mandates, other trust duties, while meeting Board of Natural Resources' policy direction?

**On October 22, the IRC will meet for the second time.** (The meeting will be held in the Natural Resources Building from 10AM until 3PM.) At the meeting the IRC will have the opportunity to ask additional questions and evaluate the adequacy of the Briefing Material. If the trust beneficiaries send additional questions, the IRC will consider them, directing DNR staff to augment the Briefing Material. The meeting will likely conclude with a set of drafting instructions. These instructions will be the basis for DNR to develop a Draft Final Report.

Finally, as shown in the attached diagram, there will be a third IRC meeting on November 17 to review the Draft Final Report, which will be forwarded, including its findings and recommendations, to Commissioner Sutherland, following review by the trust beneficiaries.

